

NISA

NET INCOME STABILIZATION ACCOUNT

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CONTACT

Newsletter for the Net Income Stabilization Account (NISA) Program

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DECEMBER 2003

The CAIS program is not in place until the required number of provinces sign agreements to implement the program. The program administration has been receiving some questions about whether a program will be in place to address 2003 income losses. Governments are working toward agreements and funds allocated for farm financial programs this year will be delivered to producers. In the meantime, \$600 million in Transition Funding is being paid directly to producers and Producer Assistance 2003 applications are now available for those who want to access their 2003 program benefits early.

The New Canadian Agricultural Income Stabilization (CAIS) Program Your Farm, Your Money, Your Choice

The Canadian Agricultural Income Stabilization (CAIS) program is proposed for 2003 to help agricultural producers respond to income declines. The CAIS program and Production Insurance are to form the core business risk management programs cost-shared by federal and provincial or territorial governments under the Agricultural Policy Framework (APF).

The new CAIS program would integrate stabilization and disaster protection, helping producers protect their farming operations from both small and large drops in income.

Choosing Your Protection Level

Early in the year you would select a protection level for your operation and then make the necessary deposit to secure that level. The protection levels, which range from the minimum 70 percent up to 92 percent, represent the percentage of your reference margin to which you would be returned in the event of a complete loss (to zero). For smaller declines, the percentage of your reference margin to which you would be returned could be higher (up to 100 percent). In June, when final forms are submitted, your margin for the current year (the difference between allowable income and allowable expenses) would be compared to your reference margin (the average margin from previous years) to determine whether you receive a payment.

Making a deposit

You would need to open a CAIS program account at a participating financial institution in early 2004 and ensure you have the necessary funds on account to cover the level of protection you have selected. You would have the option to have on account only 1/3 of the full deposit normally required for the protection level you chose. However, in the event of a margin decline you may be required to top up your deposit.

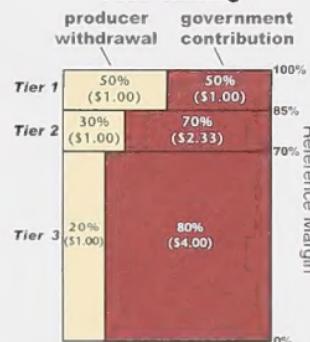
Program payments after a decline

Producers and governments would share in the costs of all tiers of the new program. Program payments would include funds from your CAIS program account and a contribution from governments. As a CAIS program participant, you would be entitled to a payment when your margin in the program year dropped below your reference margin. The deeper the loss you experience, the larger the government share you would receive to compensate for your loss.

The graphic shows how the producer/government cost-sharing would break down in terms of dollars. A loss of less than 15 percent (Tier 1) would result in a payment of \$1.00 in government funds for every producer dollar. A decline

between 15 and 30 percent (Tier 2) would result in a payment of \$2.33 in government funds for every producer dollar. A decline of more than 30 percent (Tier 3) would result in a payment of \$4.00 in government funds for every producer dollar.

Producer-Government Cost Sharing



For more information on the proposed CAIS program, call toll-free at 1-866-367-8506 or visit www.agr.gc.ca. In Prince Edward Island, Quebec and Alberta, contact your provincial department of Agriculture.



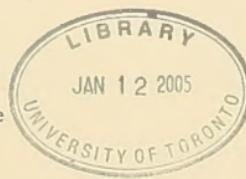
Agriculture and Agri-Food Canada
NISA Administration

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Producer Assistance 2003 now available

In August, the Government of Canada announced that disaster assistance would be available to help producers respond to current challenges in the industry. This assistance, available as Producer Assistance 2003, is established under bilateral agreements with provinces that have already committed funding under the Agricultural Policy Framework (APF). It is a transitional measure until new business risk management programming is fully implemented across Canada. You may qualify for a Producer Assistance 2003 payment if your estimated production margin for 2003 has declined more than 15 percent, relative to

your reference margin. To be eligible, you must have completed six months of farming activity and a production cycle in the 2003 program year.

If you receive a Producer Assistance 2003 payment, you will be required to meet all participation requirements for the CAIS program for the 2003 program year, once it comes into effect.

Call toll-free at **1-866-367-8506**

or visit

www.agr.gc.ca/producerassistance2003.

In Alberta, call toll-free

1-877-744-7900

or visit www.AFSC.ca.

Important deadlines

December 31, 2003:

Deadline to apply for 2002 NISA with a five percent reduction per month to your NISA deposit entitlements after June 15, 2003 (individuals) and June 30 (corporations).

Deadline to make your 2002 NISA deposit and receive matching government contributions for the 2002 program year.

Deadline to request an adjustment to the financial information reported on a 2002 or prior year application. Adjustment Request Forms are available online at www.agr.gc.ca/nisa.

Deadline for submitting an appeal on a 2002 application.

March 1, 2004:

Deadline to submit a Producer Assistance 2003 payment form for producers in British Columbia, Manitoba, Nova Scotia and New Brunswick.

CAIS program deadlines*

March 31, 2004:

Deadline to open a CAIS program account at a participating financial institution.

Select and secure your 2003 CAIS program protection level with a minimum deposit amount.

Select your 2004 CAIS program protection level.

June 15, 2004:

CAIS program forms deadline for individuals.

June 30, 2004:

CAIS program forms deadline for corporations, co-operatives and communal organizations.

*In Alberta, Quebec and Prince Edward Island, contact your provincial administration to confirm deadlines.

Missing Years

Your reference margin would be calculated using financial information currently on file for the years 1998 to 2002. Where five complete years of farming income data is available, the reference margin would be calculated as an 'Olympic average' of the most recent five years, with the highest and lowest income years dropped and the remaining three years averaged. For the years your financial information is not on file, you would need to submit this missing information before an Options Notice for the 2003 program year would be issued.

To calculate your 2003 options, the following information is needed:

1. Statement of Farming Activities, as filed for tax purposes for the years 1998 to 2002.
2. Partnerships: If you are a member of a partnership, you must provide a breakdown of each partner's share of the operation.
3. Corporations/Co-operatives/Communal Organizations: You must provide a breakdown of each shareholder's common shares or member's equity in the operation.

Note: If you have been farming for less than five years, do not currently have a NISA account, or are a Status Indian farming on a reserve, call toll-free 1-866-367-8506 to obtain information needed to participate in the program.

Notice

Take Stock

To participate in the CAIS program, you would be required to report your inventories (for example: head of livestock and tonnes/bushels of grain) on hand at the beginning and end of your 2003 tax year.

Count or measure your inventories on December 31, 2003, or your fiscal year end to ensure you have the most accurate numbers on hand when completing your CAIS application. An inventory form is available to help you record your inventories. This form is available online at www.agr.gc.ca/puttingcanadafirst under the Business Risk Management link, or by calling toll-free **1-866-367-8506**.

Available Now

CAIS Program Calculator

A new online calculator is available to give producers a sense of how the proposed CAIS program can provide protection when their income drops. This new tool enables producers to estimate their production margins and corresponding program benefits. Find the calculator online at www.agr.gc.ca/puttingcanadafirst

Important

NISA

Wind Down

Bonus interest on your NISA Fund 1 will be earned until December 31, 2003. In early 2004, you may transfer all or part of your existing NISA Fund 1 money into a new CAIS program account. The NISA program is coming to a close following the 2002 program year. For more information, please contact the NISA Administration.

Contact Us

NISA Toll-Free Phone Lines

NISA toll-free lines are open from 8 a.m. to 5 p.m. (CST). For reasons of confidentiality, we ask that you have your Personal Identification Number ready and a copy of your NISA statement (or your tax form) when you call our toll-free lines.

Toll free **1-800-665-6472**

Fax: (204) 984-3717

Web: www.agr.gc.ca/nisa